Department of Defense
National Security Personnel System

NSPS Pay Pool Management

Flexibility – Accountability – Excellence

www.cpms.osd.mil/nsps
http://cpol.army.mil/library/general/nsps/

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Course Objectives

After completing this course you will be able to

- Discuss roles and responsibilities of key pay pool officials a participants
- List the elements of pay pool funding
- List and describe the preparation for, sequence of steps, and timing involved in both the mock and final pay pool processes
- Describe importance of good job objectives and concise, accurate assessments of employee accomplishments
- Explain importance of reaching agreement on performance levels
- Reconcile ratings based on performance
- Describe financial implications of share selections and paying bonuses versus salary increases

Why Pay Pools are Important

- Ensure the application of a common understanding of rating levels, share assignments, and pay distribution decisions
- Validate decisions made at the individual level within the context of organization and mission
  - Primary means of achieving internal and external equity
- Preserve the integrity of the performance management system

Lesson 1

Pay Pool Structure, Rules and Roles

Return to TOC

Lesson Objectives

After completing this lesson you will be able to:

- Describe pay pool structuring options
- List the key players in the pay pool process and describe their primary roles
- Describe the purpose and content of pay pool business rules

Pay Pool Definition

- Group of employees who share in the distribution of a common pay-for-performance fun

- Actual pool of money that funds performance payouts

Pay Pools: Army Guidance

- Pay pool structures may be redefined each cycle
- All pay pool officials / raters will be management officials
- Sub-pay pools should be considered when size exceeds 150
- Pay pools can be established to con
  separate supervisors and non-super
- Normally pay pool managers will no
  be a member of the pool they man

AI-SC 1940.11

Pay Pool Business Rules

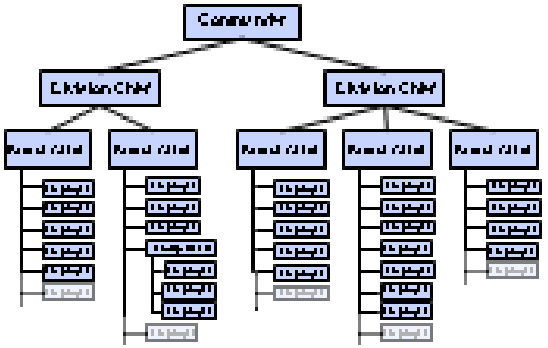
- Refer to Army Guide to Developing Pay Pool Business Rules
- Many factors in the pay pool process are discretionary
  - Authority to establish pay pool business rules may be delegated to the pay pool level
- Business rules should address:
  - Structure and composition of pay pools and panels
  - Specific procedures and requirements
  - Compensation and rating philosophies
    - Shares and payout distributions
    - Compensation controls

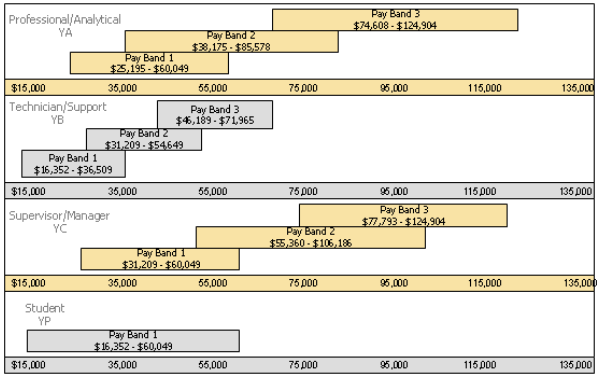
Handouts (page 51)

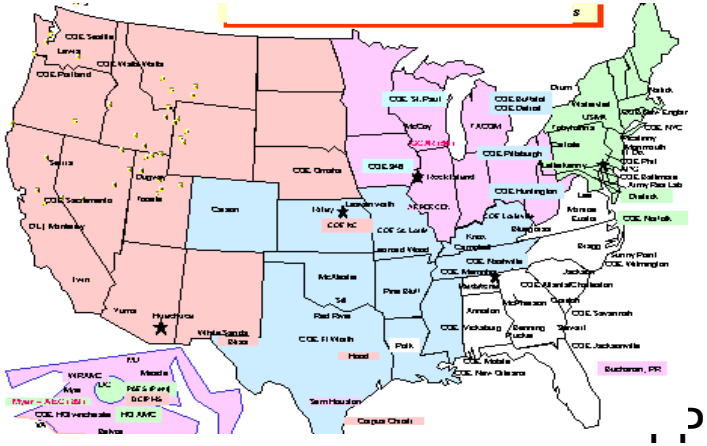
Pay Pool Structure

Structuring Options

- Organizationa
- Functional
- Geographic
- Supervisor/Non-supervisor
- Pay bands
- Complexity of wo

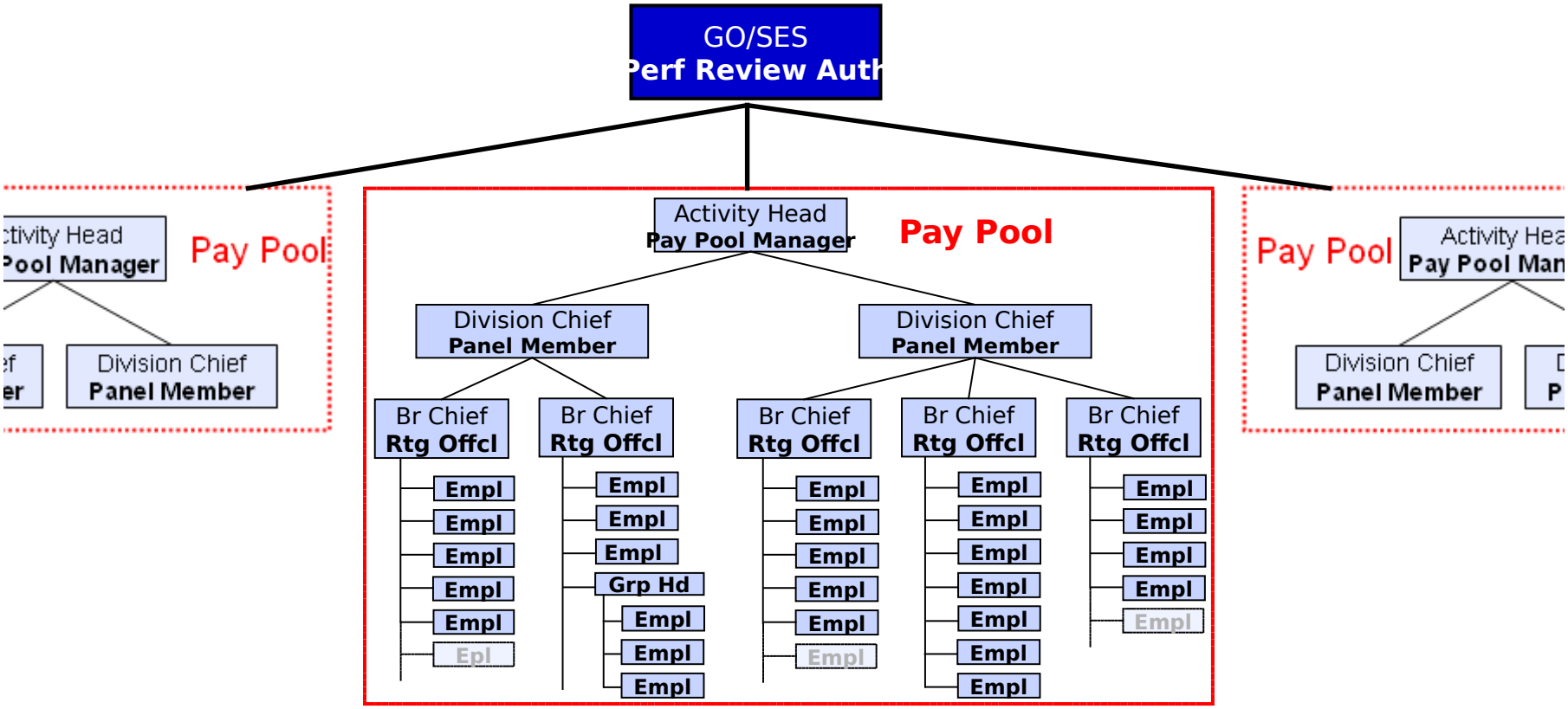






Sample Pay Pool Structure (Organizational)

Sample Organization with Roles



Roles: Who's Involved?

Employee	Keeps track of accomplishments, provides information to rating official, assists in establishing job objectives.
Rating Official	Immediate supervisor. Establishes job objectives and performance expectations, monitors performance, rates employees, recommends rating, shares, and distribution to second level reviewer and pay pool panel.
Second Level Reviewer	Manager above supervisor. Reviews and approves performance plans. Adds bullet comments and addresses employee potential during annual appraisal. Reviews and adjusts recommended ratings, shares, and distribution from rating official(s).
Pay Pool Administrator	Designated by Pay Pool Manager. Maintains pay pool membership in HR database, supports the Pay Pool Panel, operates automated tools. Typically designated by Pay Pool Manager or Performance Review Authority.
Pay Pool Panel	Comprised of pay pool manager and other senior management officials of the organizations or functions represented. They review and recommend final ratings, shares, and distributions ("reconciliation") to the pay pool manager.
Pay Pool Manager	Senior manager who makes final decisions on all ratings, shares, and distributions. Appoints pay pool panel members and makes certification decisions.
Performance Review Authority	Higher level review body (or person) that oversees several pay pools, establishes pay pool funding levels, and looks into employee requests for reconsideration.

Rating Process

Rating Official (supervisor) recommends:

- Performance rating
- Number of shares
- Distribution between salary increase and bonus

- After pay pool manager is done, conveys final rating, shares and distribution to employees

Higher level reviewer:

- Reviews supervisor's recommendations, changes as appropriate

Pay Pool Panel:

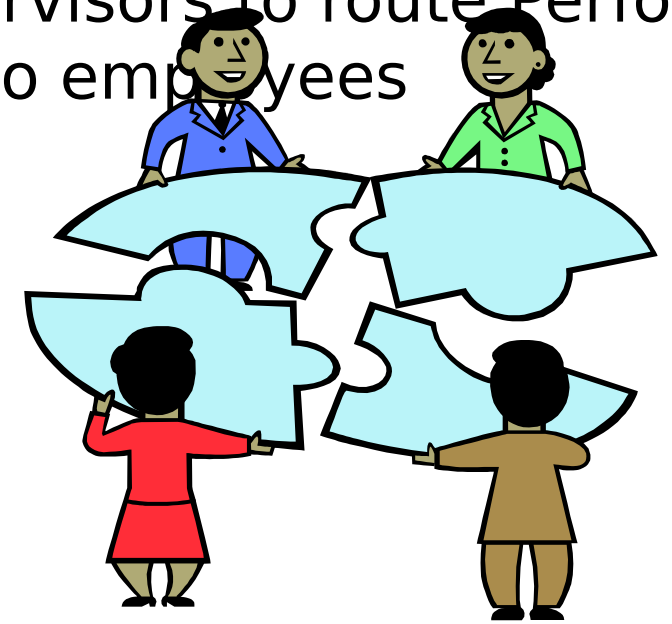
- Reconciles ratings, shares, and distribution within the pay pool; changes as appropriate

Pay Pool Manager:

- Makes final decisions on rating of record, number of shares, and distribution

DCPDS Requirements (SSH)

- Self-Service Hierarchy (SSH) must be established
  - Identifies reporting relationships between employees and rating officials
  - Allows supervisors to route Performance Appraisals to employees



DCPDS Requirements (PP ID)

- Pay Pool ID (PP ID) is established in member records
  - Naming conventions have been established for Pay Pool IDs
  - Must be 100% accurate at end of rating cycle
- Pay pool roles are identified
  - Pay Pool Panel Members
  - Pay Pool Manager
  - Performance Review Authority (PRA)
  - Pay Pool Administrators

Employees - Pay Pool Members

- Keep track of their accomplishments throughout the rating cycle
- Prepare a self-assessment in preparation for the interim review
- Prepare an annual self-assessment addressing their accomplishments and the results of these, as related to their individual job objectives
- Talk to their supervisors!!

Rating Officials

- Establish employee performance plans

Note: All steps are recorded in the PAA

- Conduct formal performance-related discussions at rating period beginning, midpoint, and end -- plus when need arises
- Make appropriate revisions as needed to individual performance objectives
- Prepare timely written performance appraisals that accurately assess employee's attainment of job objectives and Army values
- Modify recommended ratings when directed by higher level reviewer
- Modify final appraisal information when directed by pay pool panel/manager

Typically the first line supervisor

Higher Level Reviewers

- Review performance plans and appraisals
  - Assuring timeliness, accuracy and compliance with requirements
- Provide comments on employee's overall performance and potential to perform different and/or higher level work
- Provide first reconciliation of rating levels
- Assure equitable and consistent application
- Resolve performance appraisal disagreements

Typically second level supervisor

Pay Pool Panel Members

- Attend all pay pool panel meetings
- Review recommended ratings of record, share assignments, and/or payout distributions
- Make adjustments to ensure equity and consistency across the pay pool
- Contact rating officials/higher level reviewers to:
  - Obtain additional information or clarification
  - Relay panel decisions regarding changes to recommended ratings, shares, and/or payout distributions

Must be management officials

Pay Pool Manager

- ✓ Ensures:
  - rating officials complete performance management responsibilities within established timeframes
  - pay pool officials have received required training
  - pay pool is conducted in accordance with established policies and procedures
- ✓ Issues and maintains certification records
- ✓ Distributes and collects nondisclosure statements from pay pool panel members
- ✓ Chairs pay pool panel and attends all pay pool panel meetings
- ✓ Typically appoints an administrator to provide administrative support and track panel decisions
- ✓ Designates pay pool panel members
- ✓ Serves as final approving official for the pool members' rating

Must be senior management official

Performance Review Authority

- Provides oversight of a number of pay pools and addresses the consistency of performance management policies
- Ensures employees are informed about pay pool assignments, pay pool managers and panel members and other pertinent information
- Determines, monitors, and adjusts pay pool funding percentages and manages the civilian pay-for-performance budget and reserve fund
- Communicates projected percent of base pay to be applied to pay pool fund
- Adjudicates rating reconsideration requests

Typically General Officer / SES level

Pay Pool Administrator

- Maintains pay pool identifier, roles, and membership
  - using the Manage Pay Pool Identification (MPP ID) tool
- Receives, stores, and secures appraisal information for panel's use
- Prepares reference and background information needed by pay pool panel for meetings

Designated by the Pay Pool Manager
– not usually a management official

Pay Pool Administrator, con't

- Extracts pay pool data from DCPDS and populates the Compensation Workbench (CWB) tool
- Updates CWB spreadsheet during panel meetings with changes to ratings, shares, and distribution decisions
  - Tracks changes made for subsequent notification to rating officials
- Uploads rating, shares, and distribution data to DCPDS after panel meetings

Army's Certification Requirements

- Pay Pool Managers certify that the following requirements have been met:
  - Rating Officials
    - ➢Complete Army's NSPS Supervisors Course
  - Panel Members
    - ➢Complete Army's NSPS Supervisors Course
    - ➢Complete Pay Pool Management Course
- Performance Review Authority certifies for Pay Pool Manager

Handouts (page 20)

Ethics and Confidentiality

Pay pool panel deliberations and discussions are confidential; persons involved in panels will:

- ✓ Sign a non-disclosure agreement
- ✓ Abide by the standards of conduct and ethics
- ✓ Not release rating, share, or distribution information until final approval by the Pay Pool Manager
- ✓ Show mutual respect
- ✓ Abide by merit principles

Handouts (page 21)

Lesson 2

Pay Pool Funding

Return to TOC

Lesson Objectives

After completing this lesson you will be able to:

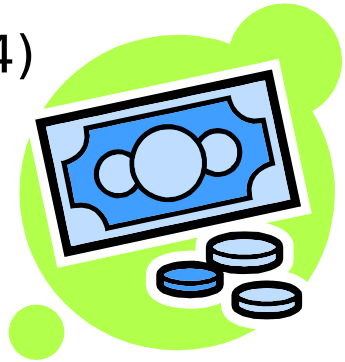
- Describe the elements of pay pool funding
- Describe how share values are estimated
- List the factors that impact on share values
- Describe how rating distributions affect share values
- Describe the impact of share values on employee payouts

Pay Pool Funding

- Statutory requirement: Spend equivalent percent for civilian pay as was spent historically under title 5 for:
  - Same numbers
  - Same types of positions
- Policy requirement: Ensure dollars previously spent for WIGIs, QSIs, and In Band promotions are redirected to Performance Based Pay.

Pay Pool Funding

- Organizations can allocate additional funds to the pay pool
- The pay pool fund is expected to be completely disbursed
  - Pay pool funded base salary increases are the major part of meeting this requirement
- Awards do not come out of the pay pool funding
  - ACDP, OAR and EPI (SC1930, Appendix 4)



Pay Pool Funding Elements

Element 1: WGIs, QSIs, in-band promotions

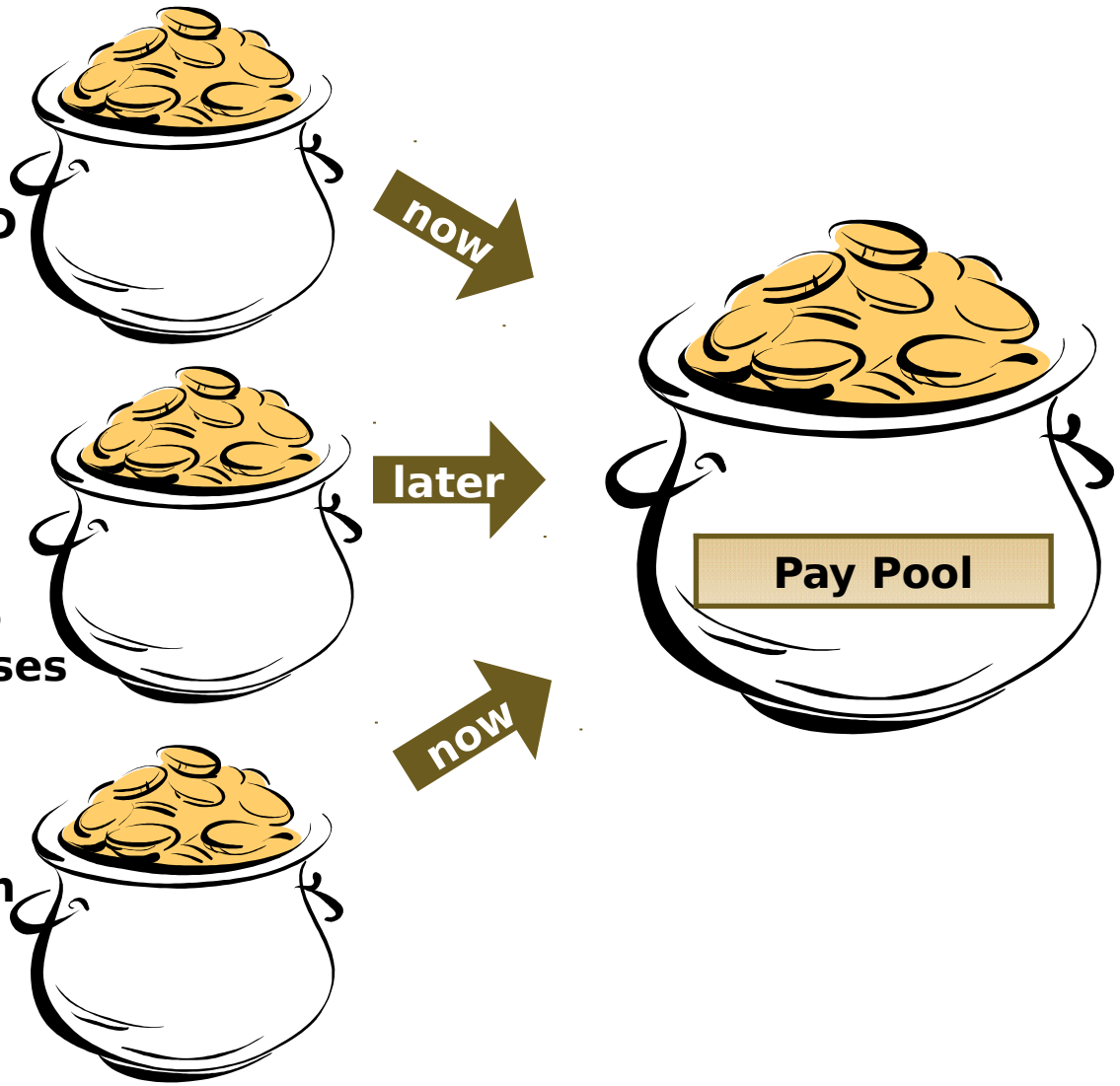
- Minimum floor set by DoD
- For salary increases only

Element 2: Remainder of General Pay Increase

- Set by SecDef
- Less rate range adj, LMS
- Salary increases or bonuses

Element 3: Performance awards

- Budgeted by organization
- Less OAR, EPI, inc awds, reserve fund
- For bonuses only



Money Available for Payouts

EXAMPLE ONLY

Funding Element (Source)	Percent Base Pay	Used For
Element 1 (QSIs, WGIs)	**2.26%**	**Salary increases**
Element 2 (GPI – not in pool yet)	**0.00%**	**Salary increases or bonuses**
Element 3 (Performance awards)	**3.00%**	**Bonuses only**
Total for RY 07	**5.26%**	

- Share value per share will vary between pay pools
- Funding percentages will vary from year to year
- Element 1 floor for RY08 is 2.26% (minimum). This floor does not apply to each pay pool, but to Commands in the aggregate
- Additional funds beyond floor can be used for salary or bonus

Aggregate Funding Floor Example

Command XX, Pool A

- Senior employees, high salaries
- Decision:
  Element 1 – allocated 1.5%
  Element 3 - allocated 4.0%

Command XX, Pool B

- New hires, entry level salaries
- Decision:
  Element 1 – allocated 2.8%
  Element 3 - allocated 2.7%

Pool	Total Base Salary	Sal Incr %	Sal Incr $	Bonus %	Bonus $
A	$10,000,000	1.5%	$150,000	4.0%	$400,000
B	$15,000,000	2.8%	$420,000	2.7%	$405,000
	$25,000,000	2.28%	$570,000	3.2%	$805,000

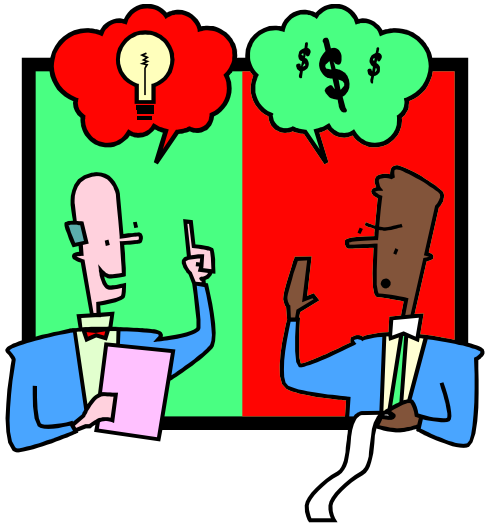
Command XX still meets minimum funding floor (2.26%)

Handouts (page 13)

Pool Funding and Share Values

- Share Values within a pool depend on these variables:
  - Pay pool fund amount
  - Employee base salary
  - Distribution of shares in the pool
- The more shares awarded in a pool, the lower the share value
- Data for estimating share values comes from:
  - Mock Pay Pool
  - Previous year's results – Insufficient data for first NSPS rating cycle
  - Rating Distribution Projections

Value of a Share



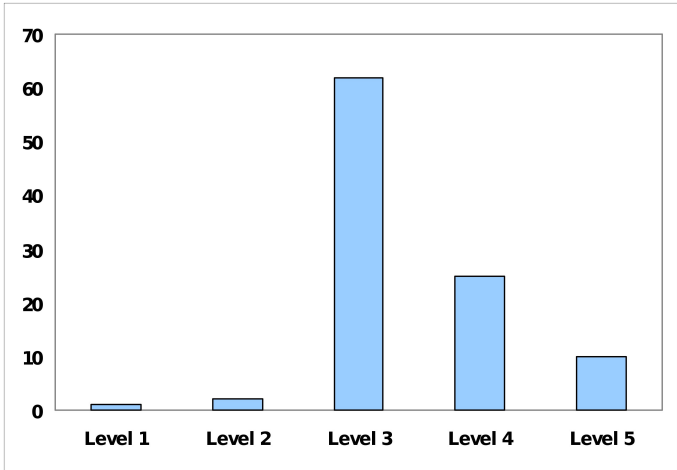
The more shares assigned within the pay pool, the less the value of each share

- Cannot be exactly determined until the pay pool panel process is complete
- Forced distribution of ratings is prohibited
- The size of an employee's payout should reflect that employee's performance in relation to their performance objectives as well as relative contribution to the organization in comparison to similar employees in the organization

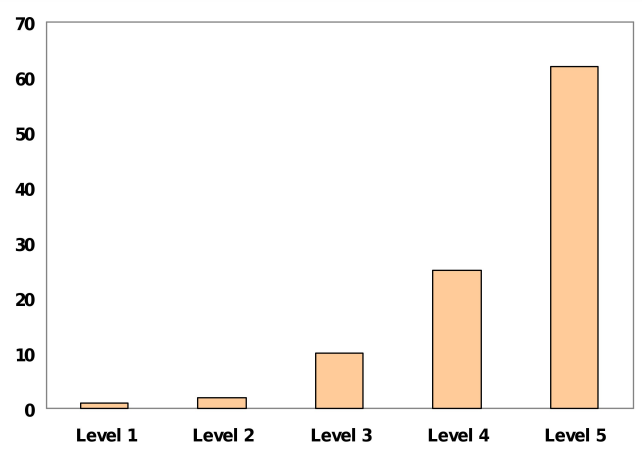
Rating Distribution Considerations

Modeling Examples

Distribution A



Distribution B



	Percent	Amount*	Percent	Amount*
Average payout	5.00%	$2,500	5.00%	$2,500
Maximum payout	16.85%	$8,426	6.77%	$3,386
Average payout for a level 3 rating	3.19%	$1,596	1.69%	$847
Average payout for a level 4 rating	7.40%	$3,702	3.93%	$1,964
Average payout for a level 5 rating	11.70%	$5,851	6.21%	$3,104

*** Amount based on base salary of $50,000**

Calculating Performance Payouts

Employee's performance payout is calculated by multiplying the employee's base salary at the end of the appraisal period by the share value percentage, and then by the number of shares earned by the employee:

Employee Performance Payout =

Base Salary X Share Value per Share (%) X No. of Shares

Total performance payout is distributed between an increase in base salary or a bonus, or a combination of the two:

Employee Performance Payout =

Salary Increase + Bonus

Pay Pool Calculations

	A	B
1	Employees	Base Salary
2	Employee A	$39,584
3	Employee B	$42,356
4	Employee C	$22,453
5	Employee D	$73,851
6	Employee E	$62,453
7	Total	$240,697
8	Payout Factor	6.6%
9	Pay Pool Value Payout	$15,886.00
10	Total Salary Share Product	$916,707
11	Share Value/Share	0.01732942

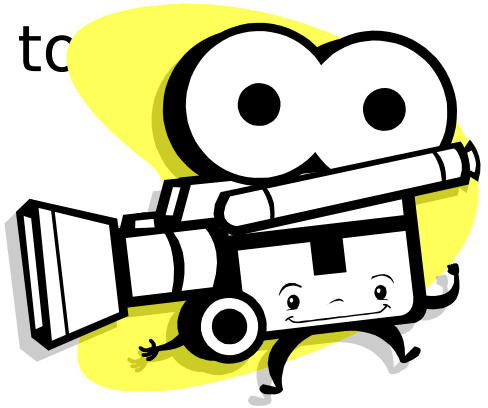
C	D	E
Rating	Shares	Salary Share Product
5	6	$237,504
4	4	$169,424
5	5	$112,265
3	2	$147,702
4	4	$249,812
	21	$916,707

G	H	I	J
Base Salary	Shares	Share Value/Share	Empl Perf Payout
$39,584	6	0.017329422	$4,115.81
$42,356	4	0.017329422	$2,936.02
$22,453	5	0.017329422	$1,945.49
$73,851	2	0.017329422	$2,559.59
$62,453	4	0.017329422	$4,329.10
$240,697	21	0.017329422	$15,886.00

1. Total Base Salaries (7B)
2. Total Base Salaries X Payout Factor = Pay Pool Value (9B)
3. ∑ (Base Salary X Shares) = Salary Share Product (7E)
4. Pay Pool Value / Total Salary Share Product = Share Value per Share (11B)
5. Base Salary X Shares X Share Value/Share = Empl Perf Payout (7J)
   (this does not show how the payout is distributed – bonus vs. salary increase)

Share Value Estimation Tool

- Demonstration and explanation of to
- Group exercise
  - Time: 20 minutes
- Exercise debrief:
  - What is the effect of increasing or decreasing the pay pool funding levels?
  - How does the rating distribution affect share values?
  - What do individual share values equate to in terms of dollars at different salary levels?



Handouts (page 10)

Lesson 3

Time Frames

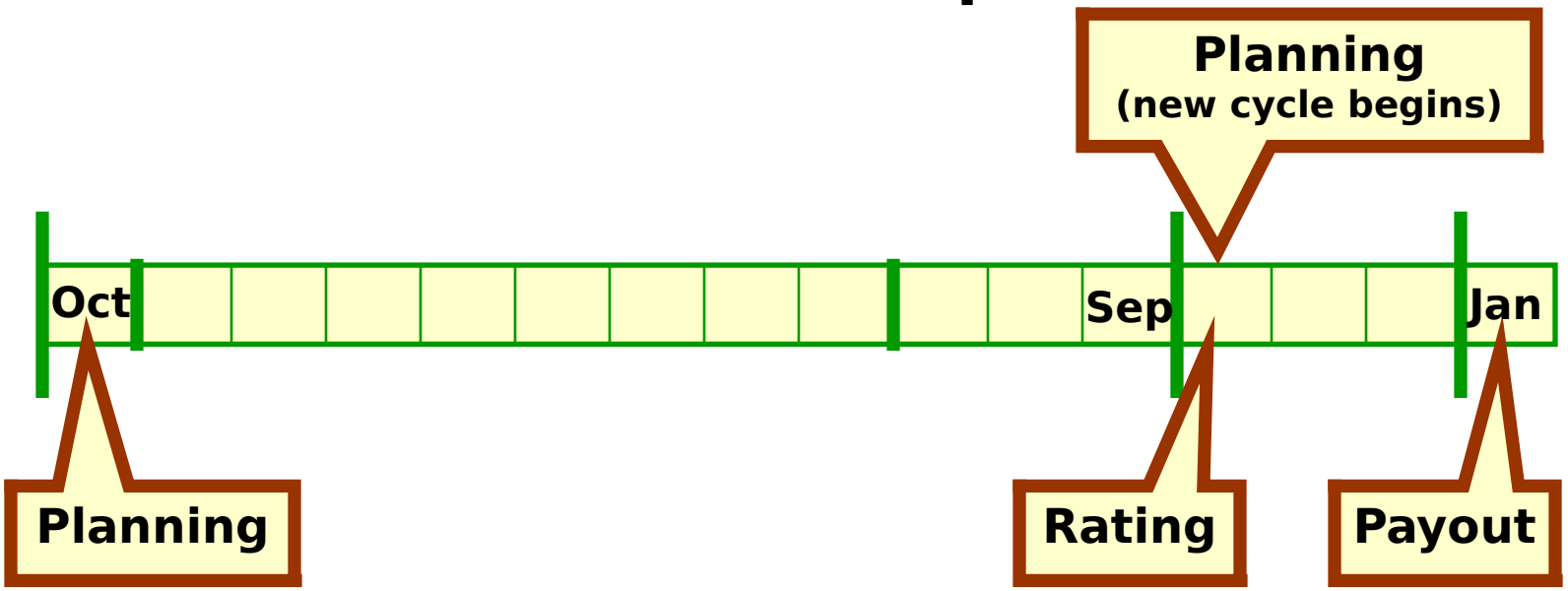
Return to TOC

Lesson Objectives

After completing this lesson you will be able to:

- List the benefits of conducting a mock pay pool
- List the milestone deadlines at the end of the rating cycle
- Describe the impact of late ratings and assessments

The NSPS Performance Cycle: 1 Oct-30 Sep*



- **A 12-month performance cycle**
- **A 16-month process**

(* varies during conversion to NSPS)

Discussion: Early On Tasks

- How prepared is your organization to do these tasks?
  - Setup or revise pay pool structures
  - Identify pay pool roles
  - Establish pay pool business rules
  - Establish timelines
  - Build a shared understanding of performance levels
  - Conduct a mock pay pool
- Have people or teams been identified?
- What are your next steps?

Time: 15 minutes

Communicating with Employees

- During the performance year, the organization will define:
  - General pay pool policies and business rules
  - Pay pool composition and panel membership
  - Roles and responsibilities
  - Factors that may be considered in making specific share assignments
- Before the effective date of the payout, supervisors will provide:
  - Approved rating of record
  - Share assignment
  - Payout distribution

Handouts (page 3, 24)

Mock Pay Pool

Mock pay pool is a performance rating exercise

- Normally panels meet during this exercise, using appraisal information solicited from rating officials
- May or may not cover every member of the pool (some organizations may elect to rate a sample of the population)
- May or may not inform pool members of their mock rating
- Typically done mid-cycle

Why Conduct a Mock Pay Pool?

The mock pay pool will…

- ✓ Help identify process gaps
- ✓ Develop a common understanding and agreement on process improvements and how to implement them
- ✓ Provide experience and greater understanding of process
- ✓ Identify behavioral skills needing development to improve pay pool process
- ✓ Identify different dynamics that appear in different pay pools

More Mock Pay Pool Benefits

The mock pay pool can…

- ✓ Identify areas where job objectives need to be adjusted
  - Scores do not match expectations or actual performance
- ✓ Give employees and supervisors practice in:
  - Writing self- and supervisory assessments
  - Using the automated performance appraisal tool

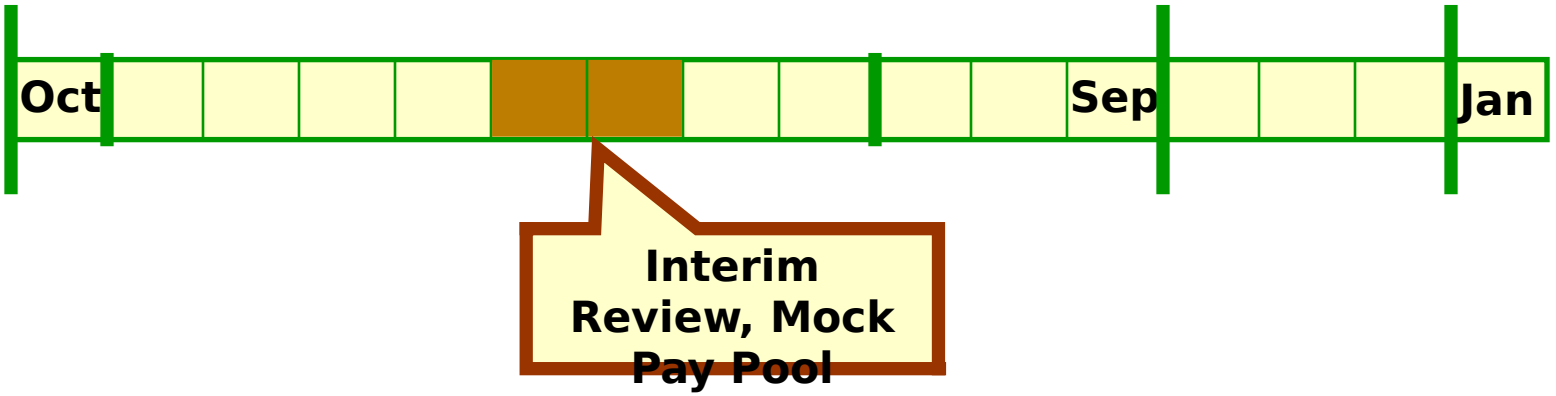
Mock Pay Pool Timeline

Event	Who	Date(s)*
End of mock rating cycle		20 April 2007
Prepare self-assessments	Employees	27 April 2007
Prepare supvy assessments and recommendations	Rating officials	4 May 2007
Higher level reviews	Higher level reviewers	10 May 2007
Pay pool panel meetings	Pay pool panel members	15-17 May
Change appraisals and ratings as required	Rating officials	17-18 May
Adjust Performance Objectives	Rating officials	NLT June 30

*Dates based on Jan 21 Implementation and Sept 30 End of Rating Cycle

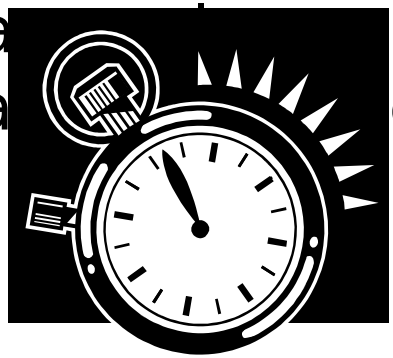
Interim Review

- Also typically done mid-way through first performance cycle
  - Will vary depending on organization's spiral dates
  - Should provide time to change objectives if necessary



End of Cycle Deadlines

- Panel deliberations have very short timeframes
- Deadlines must be strictly adhered to, including
  - Rating officials' appraisals of their employees
  - Higher lever reviewer functions
  - Requests from pa l for additional information perta cific employees



Timeframe Responsibilities

- Panel dates should be known to rating officials / higher level reviewers so they can:
  - Address or answer questions or
  - Designate an alternate
- Rating officials / higher level reviewers who fail deadlines and publicized timeframes may find this reflected in their performance rating

End of Cycle Processes

Event	Who	Date(s)*
End of rating cycle		30 Sep 2007
Prepare self-assessments	Employees	5 Oct 2007
Conduct perf appr conversation, prepare supvy assessments	Rating officials	2 Nov 2007
Higher level reviews	Higher level reviewers	9 Nov 2007
Establish perf plans for new cycle	Rating officials	31 Oct 2007
Sub pay pool panel meetings	Sub pool panel members	12-15 Nov
Pay pool panel meetings	Pay pool panel members	26-29 Nov
Change appraisals and ratings as required	Rating officials	3-6 Dec
Conduct annual appraisal	Rating officials	10-20 Dec

* Dates based on standard rating cycle

Lesson 4

Assessments and Ratings

Return to TOC

Lesson Objectives

After completing this lesson you will be able to:

- Rate, adjust, and weight job objectives
- Describe levels of performance
- Develop a shared understanding of performance levels
- Describe the importance of accurate assessments in the rating process
- Enter rating information into the Compensation Workbench tool

Assessments

- Employee and supervisor assessments of performance are a crucial part of the pay pool process
- Assessments should:
  - Address each job objective individually
  - Indicate the results achieved
  - Show how the employee's performance fared against the contributing factors
- Rating recommendations reviewed by the pay pool panel must contain sufficient information to justify the rating before a final rating is approved, especially –
  - For recommended ratings above or below a "3"
  - For ratings that have been adjusted (up or down) based on the contributing factors

Inadequate Assessments

If a recommended rating lacks supporting information, pay pool panel resolves discrepancy

Suggestions:

- Rating official made an effort to justify a recommendation but did not provide enough information, rating official (or higher level reviewer) should provide clarification
- No additional information is provided or still does not justify rating, pay pool panel will recommend an appropriate rating to pay pool manager

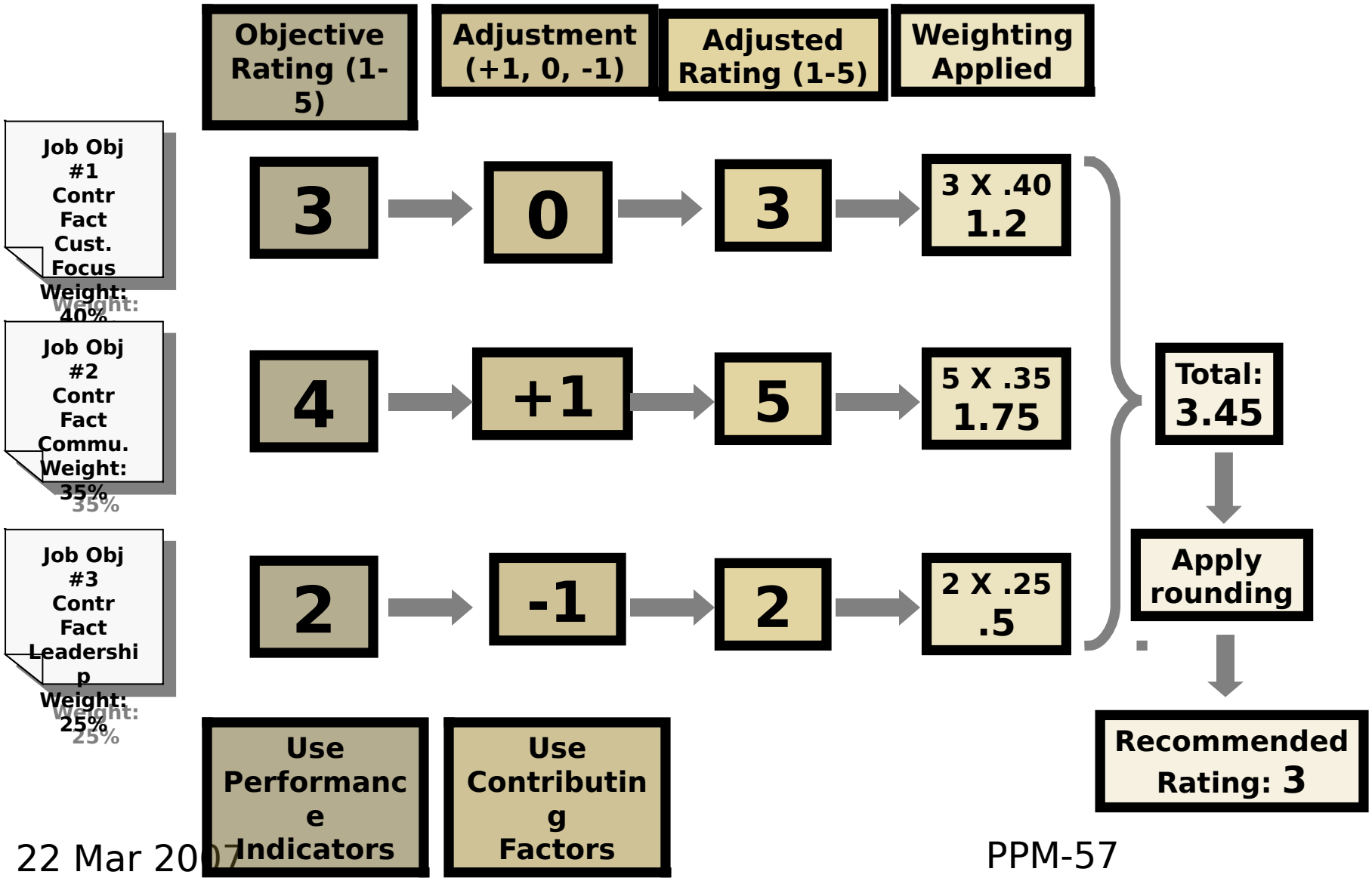
Inadequate Assessments

Before a rating can be changed ….

"If recommendations are changed by the panel, the new recommended ratings of record, share assignments, and/or payout distributions will be communicated back to the rating official along with the rationale for the change(s). The rating official will then be afforded the opportunity to provide further justification before the change(s) becomes final."

DoD 1400.25-M, SC 1940.11.4.2

The Rating Process: Review



Performance Indicator Example

Performance Indicators Professional / Analytical Pay Schedule (non-supervisory) - Pay Band 2	
Level 3	Level 5 *(Additions at this level)*
• Effectively achieved the stated objective, anticipating and overcoming significant obstacles. Adapts established methods and procedures when needed. • Results were technically sound, accurate, thorough, documented, and met applicable authorities, standards, policies, procedures and guidelines. • Planned, organized, prioritized, and scheduled own work activities to deliver the objective in a timely and effective manner, making adjustments to respond to changing situations and anticipating and overcoming difficult obstacles as necessary. • Demonstrated high standards of personal and professional conduct and represented the organization or work unit effectively.	• Contributed results beyond what was expected; results were far superior in quality, quantity, and/or impact to the stated objective to what would be expected at this level. • Exhibited the highest standards of professionalism.

Handouts (starting on page 27)

Rating Levels for Job Objectives

5	Employee exceeded the assigned job objective at a level of performance equal to, or above, the Level 5 performance indicator.
4	Employee exceeded the assigned job objective at a level of performance above the Level 3 indicator, but below the Level 5 performance indicator.
3	Employee met the assigned job objective at a level of performance equal to the Level 3 indicator.
2	Employee met the assigned job objective at a level of performance below the Level 3 Performance indicator or needed guidance and assistance beyond that described in the Level 3 indicator.
1	Employee failed to achieve the assigned job objective or failed in the performance of a single assignment where such failure had a significant negative impact on accomplishment of the mission or where a single failure resulted in or could result in death, injury, breach of security, or great monetary loss.
NR	Employee did not have an opportunity to perform the job objective because it became obsolete or could not be accomplished due to extenuating circumstances. Weight of non-rated objective is re-distributed among the other objectives.

Overcoming the TAPES Legacy

Rating officials and employees need to know:

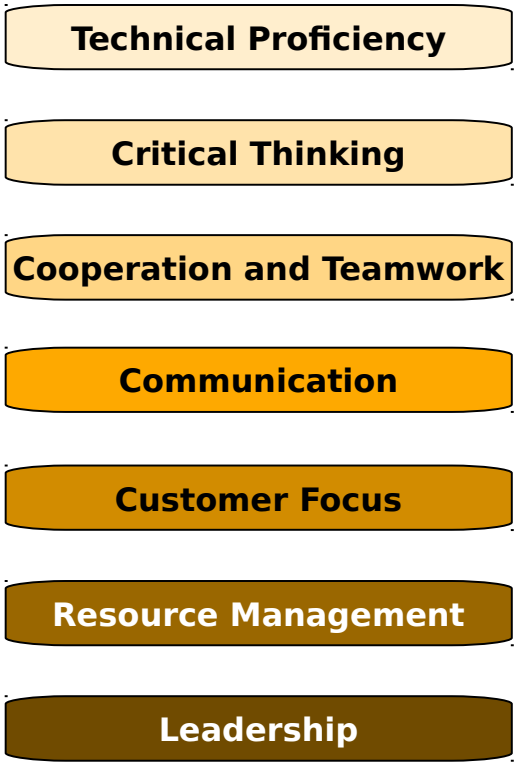
- Ratings under TAPES were inflated
  - 78% at top level, 93% in the top two levels
- Under NSPS, level 3 is a good, solid rating
  - Valued performer measured against realistic benchmarks
- Level 2 means you are still meeting the objectives
  - Below level 3 or with assistance
- Level 5 is a rare rating
  - Role model

Documenting Ratings

- "Valued Performer" (3) means achievement of the performance indicator benchmarks that pertain to that objective
- "Exceeds Expectations" (4) or "Role Model" (5) must be fully justified. Justifications should reflect quantifiable results such as impact, cost avoidance, etc.
  - "Performance exceeded expectations" is not sufficient justification
- "Fair" (2) requires documentation of what benchmarks were not achieved or how the level of guidance differed from what was expected
  - Level 2 objective rating: Employee met the assigned job objective at a level of performance below the Level 3 Performance indicator or needed guidance and assistance beyond that described in the Level 3 indicator
- "Failed" (1) should clearly document which benchmarks were failed
- "Not Rated" should be used when appropriate

Contributing Factors = “How”

- Select up to 3 for each job objective
- Attributes of job performance that are significant to the accomplishment of individual job objectives
- Further defined by “work behaviors” and “benchmark descriptors”
- Standard across DoD
- Described at the “expected” and “enhanced” level



Contributing Factors Benchmark Example

Cooperation and Teamwork Contributing Factor Professional and Analytical Pay Schedule - Pay Band 2	
Expected	**Enhanced (Additions at this level)**
• Contributes to achieving work unit goals by working collaboratively and flexibly with others and building effective partnerships across units. • Treats everyone fairly and professionally, respecting and valuing individual differences and diversity. • Shares relevant knowledge and information with others. • Contributes to a positive team atmosphere that fosters cooperation, trust, and group identity. • Handles challenging work-related disagreements or conflicts and resolves them in a positive and constructive manner; develops options to resolve disagreements or conflicts that require resolution at a higher level.	• Contributes to achieving organizational objectives by building effective partnerships across organizations. • Takes initiative to make extra contributions to work unit efforts; recognizes when others need assistance and provides support to advance unit goals. • Fosters a climate of trust by demonstrating respect for and value of individual differences and diversity. • Seeks out opportunities to share relevant knowledge and skills with others. • Develops formal knowledge sharing systems (e.g., work aids, technical papers, etc.). • Anticipates and strives to mitigate potential conflicts or disagreements.

Handouts, starting at page 31

Performance Appraisal Application

- PAA is an automated tool that:
  - Provides an electronic version of the performance appraisal form
  - Provides for input of interim and annual employee and supervisory assessments
  - Documents performance discussions
  - Captures the recommended rating by the supervisor and the final rating
  - Stores completed appraisals
- Application being improved
  - Navigation will be easier
  - DD Form 2609 also being redesigned
  - Each job objective will be accompanied by blocks for entering employee and supervisory assessments

Lesson 5

Pay Pool Panel Meetings

Return to TOC

Lesson Objectives

After completing this lesson you will be able to:

- Describe the preparation required to conduct a pay pool panel meeting
- Describe the agenda (process) used during the panel meeting
- Describe how ratings are reconciled within a pay pool
- Describe the importance of thorough, accurate self- and supervisory assessments

Meeting Practicalities

- Panel meetings should occur face-to-face
- Logistics (you may need some or all of the following):
  - Computer and projector (or equivalent)
  - Computers for panel members with appropriate network access for viewing stored appraisals
  - Printer for generating hard copies of appraisals if needed to mark changes to an appraisal for a rating official
  - Access to phone and email to contact rating officials
  - Privacy - panel deliberations are confidential

Pay Pool administrator provides:

- Performance appraisal forms (DD Forms 2906) (or equivalent) with recommended ratings and assessments from employee and rating official
- CWB data and recommendations for share assignments / payout distributions
- Reference materials (Performance Indicators, Contributing Factors, etc.)

Reviewing the Ratings

- √ Results and accomplishments related to job objectives and mission
- √ Rating Official patterns i.e., significantly higher or lower than other raters
- √ Consistency of ratings among like jobs
- √ If such patterns are detected, is there a legitimate reason?
- √ Consistency of ratings among like organizations
- √ Supportive documentation for ratings

As needed, changes recommended ratings and coordinates with rater(s)

Deliberations

In assigning, reviewing, or modifying ratings, panel members will consider the following:

- ✓ Are recommended ratings legitimate and consistent with job objectives?
- ✓ Are Level 1, level 2, and level 4 ratings appropriate and properly documented?
- ✓ Do Level 5 ratings meet “Role Model” criteria, i.e., what impact on organizational goal/mission accomplishment?
- ✓ What is impact of ratings on morale of employees?

Panel Process Options

Approach 1: Idealistically, Panel members collectively review appraisal information for each employee in the pay pool

Approach 2: Panels with sub pay pools:

- Sub pay pool panels collectively review appraisal information for each employee in the sub pay pool and submit recommendations to the pay pool panel
- At the full pay pool panel level, a sampling of level 3 ratings are reviewed from every sub pay pool to ensure a common understanding has been applied across the pay pool. Where differences exist, ratings of sub pay pool not consistent with common understanding are changed
- Ratings of each level 1, 2, 4, and 5 rating are collectively reviewed and reconciled by the entire panel

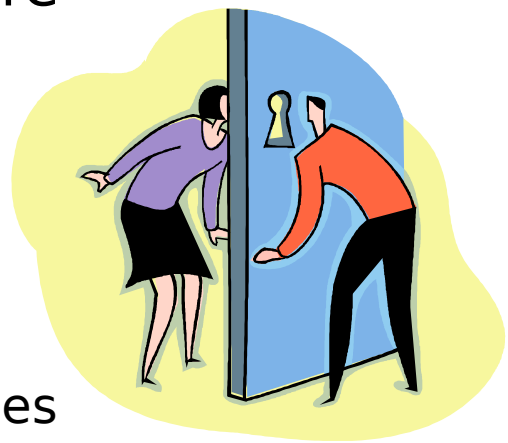
Panel Process Options, con't

Approach 3:

- Panel members collectively review appraisal information for employees with a recommended rating other than 3,
- Panel members can divvy up the appraisals for those with a recommended level 3 rating
  - Group employees by job or function for this review - the same panel member(s) review all the pool members who perform the same type of work
  - Questionable ratings reviewed by the whole panel
  - Panel members should not review employees for whom they are the rating official or higher level reviewer

Reminder

- Requires a very focused effort
  - Expect to spend 2 to 5 full days per panel
- Rating officials must be contacted before changing ratings
  - Lots of back and forth interaction
- Panels also assess:
  - Rating official patterns/trends
  - Ratings between similarly-situated employees (e.g., budget analysts, specialists vs. technicians)
- Very sensitive information discussed!
  - Take caution to keep discussions private



Changing Ratings

- The pay pool panel or pay pool manager may change:
  - Recommended ratings
  - Number of shares
  - Payout distribution
- Panel notifies rating official(s) of any changes
- Rating official must change their recommended rating and/or write-up in the PAA to conform with panel decisions
- Changes must be done prior to conducting the annual appraisal meeting with employee

Discussion: Changing Ratings

- Practical concerns
- How is this notification going to occur?
  - What if organization is geographically dispersed?
  - In different time zones?
  - In different countries?
  - On different work schedules/shifts?

Time: 10 minutes

Record Keeping

- Keep records on final ratings approved by the pay pool manager

- Do not keep records of:
  - Panel deliberations
  - Recommended ratings

- Only final ratings are relevant

Lesson 6

Shares and Payout Distributions

Return to TOC

Lesson Objectives

After completing this lesson you will be able to:

- Describe options for determining numbers of shares to award
- Describe options for determining how to split payouts between salary increases and bonuses
- Describe how control points can affect distributions
- List factors that come into play when making payout decisions

Share Ranges

- Shares in pay pool are awarded as shown:

Rating Level	Share Range
5	5 or 6
4	3 or 4
3	1 or 2
2	0
1	0

- Allows further distinction between levels of contribution
- Estimated share value reflects a percentage of salary
  - Actual share value will not be known until Pay Pool Panel completes its work

Share Assignment

Considerations for Share Assignment may include:

- Complexity of work *
- Overall contribution to mission
- Organizational success
- Fiscal soundness
- Un-rounded raw score *
- Employee's current salary *
- Impact of contributing factors
- Other criteria consistent with Merit System Principles and EEO

* Examples provided on following slides

Share Assignment

Example 1: Complexity of Work

- A supervisor has two employees. Maria's job is more complex than Joe's. He gave them the following ratings and shares:

	Obj 1 Rating	Obj 2 Rating	Obj 3 Rating	Raw Score	Rating	Shares
Maria	3	3	4	3.33	3	2
Joe	3	3	4	3.33	3	1

Rationale:

- The supervisor decided to give Maria two shares because the work she accomplished was more complex in nature

Example 2: Rounding Approach

- A supervisor has two employees who received the following ratings and shares:

	Obj 1 Rating	Obj 2 Rating	Obj 3 Rating	Raw Score	Rating	Shares
Bob	3	3+1 CF	3	3.33	3	2
Pat	3	3	3	3.00	3	1

Rationale:

- The organization assigned additional shares to individuals with higher un-rounded scores

Share Assignment

Example 3: Consideration of Salary

- A supervisor has two employees in similar positions but with different salaries. The supervisor gave them the following ratings and shares:

	Obj 1 Rating	Obj 2 Rating	Obj 3 Rating	Raw Score	Rating	Shares
Terry	3	3+1 CF	4	3.33	3	1
Lee	3	3	3	3.00	3	2

Rationale:

- The supervisor gave Terry one share since his salary is close to the maximum of the salary range and gave Lee two shares since her salary is much lower in the range and should be increased based on her performance and experience

Performance Payout

- Distribution options:
  - Base salary increase
  - Bonus
  - Combination of the two
- Distribution considerations:
  - Local market salary comparisons
  - Current salary and complexity of work in comparison with colleagues
  - Attrition and retention of critical shortage skill personnel
  - Availability of Funds
  - Overall contribution to mission

Performance Payout

- Individual Basis
- Uniform Approach
  - Default Payout Split
  - Current Salary in Relation to Appropriate Salary Range

Market Ranges

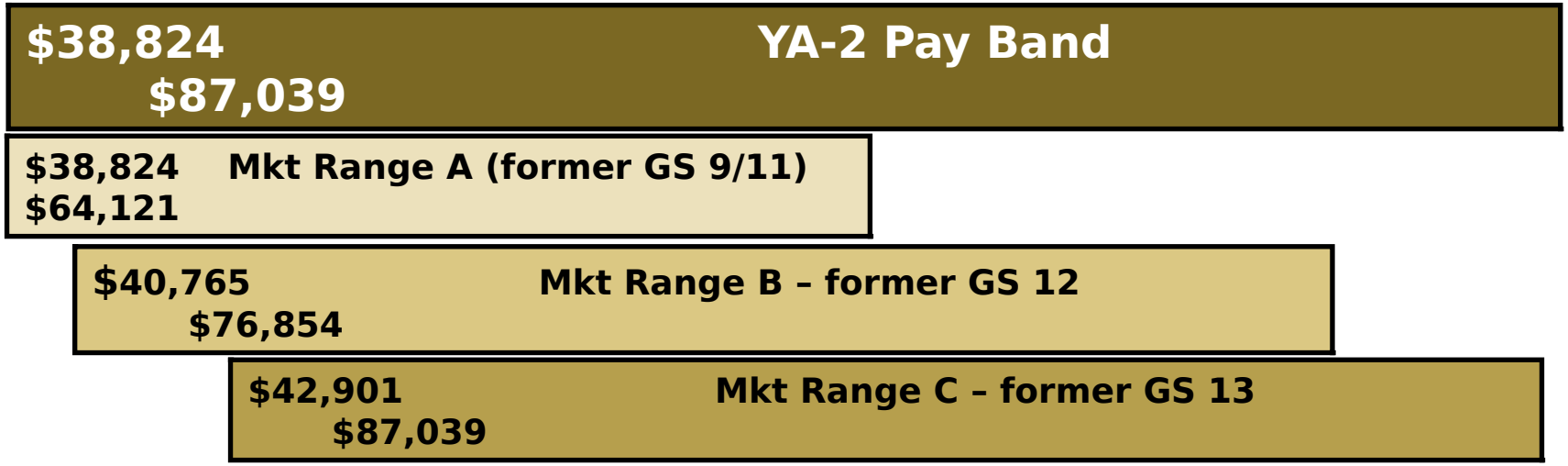
Definition

- Specific, market-based pay ranges within a pay band for different types of work
- Guidelines for compensation in hiring and annual payouts
- Control points for maximum salary

Impact

- Insure market value paid for work performed based on complexity, supervisory controls, scope of work and contacts
- Provide more realistic salary range for vacancy announcements
- May limit amount of a performance payout that goes to salary (same impact as being at top of band)

Market Range Example: YA-2



- Example uses base pay (no locality)
- Upper level of each range (except the top) is 5% above GS equivalent
- More flexibility in pay setting than General Schedule
- Employees in Range A should not expect to reach top of band

Distribution Considerations

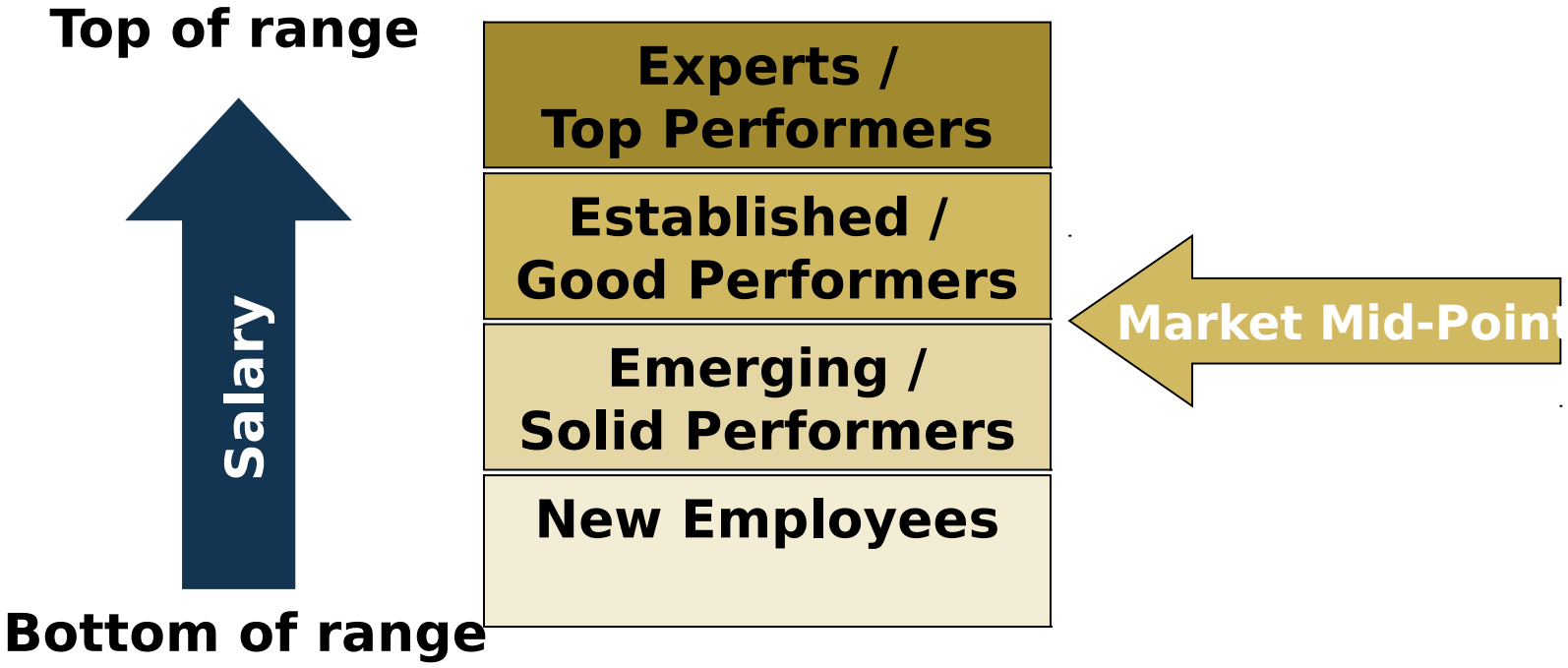
- Budget constraints
- Reflect individual performance levels
- Distinguish between levels
- Motivational effects
  - Encourage good employees to stay
- Pay band limits/in-band market ranges
- Internal/external equity
- Competitive factors
  - Attract good employees
- Pay fair market value

Ensure final distribution meets NSPS requirements on distribution of payouts between elements 1 and 3

Questions

- Any current correlation between in-range salary levels and performance?
  - Are top performers the highest paid?
  - How long to achieve true performance-based pay?
  - How long for an employee to reach the top of the range?
- Should salary increases slow down as employees move up the range?
- Will valued performers (level 3) keep up with GS?
  - What is the message going to these employees?
- How do distribution decisions impact Panel workload?

Progression Goals

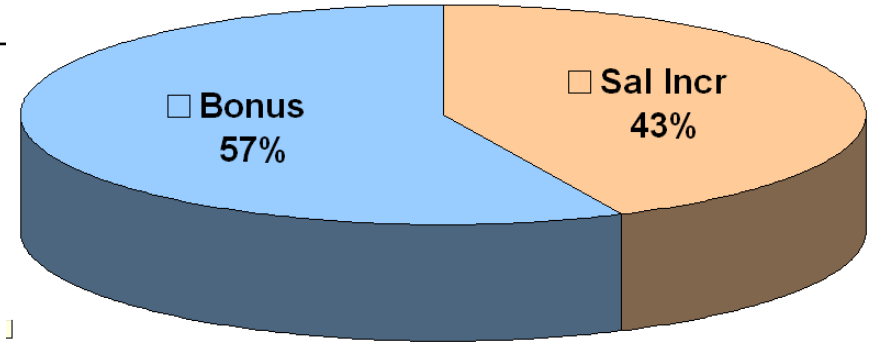


Where are we now?

Default Payout Split

Calculating the percentage for salary increases vs. bonuses

Element 1 Funding	2.26%
Element 3 Funding	+ 3.00%
Total Funding	= 5.26%
Percent of pool funds for salary increases	2.26 / 5.26 = 0.429
Percent of pool funds for bonuses	3.00 / 5.26 =



Share Basis Option

- Formula based on number of shares to split the payout between salary and bonus
- Is this a good option? Is this a good distribution?
- **Can you afford it?**

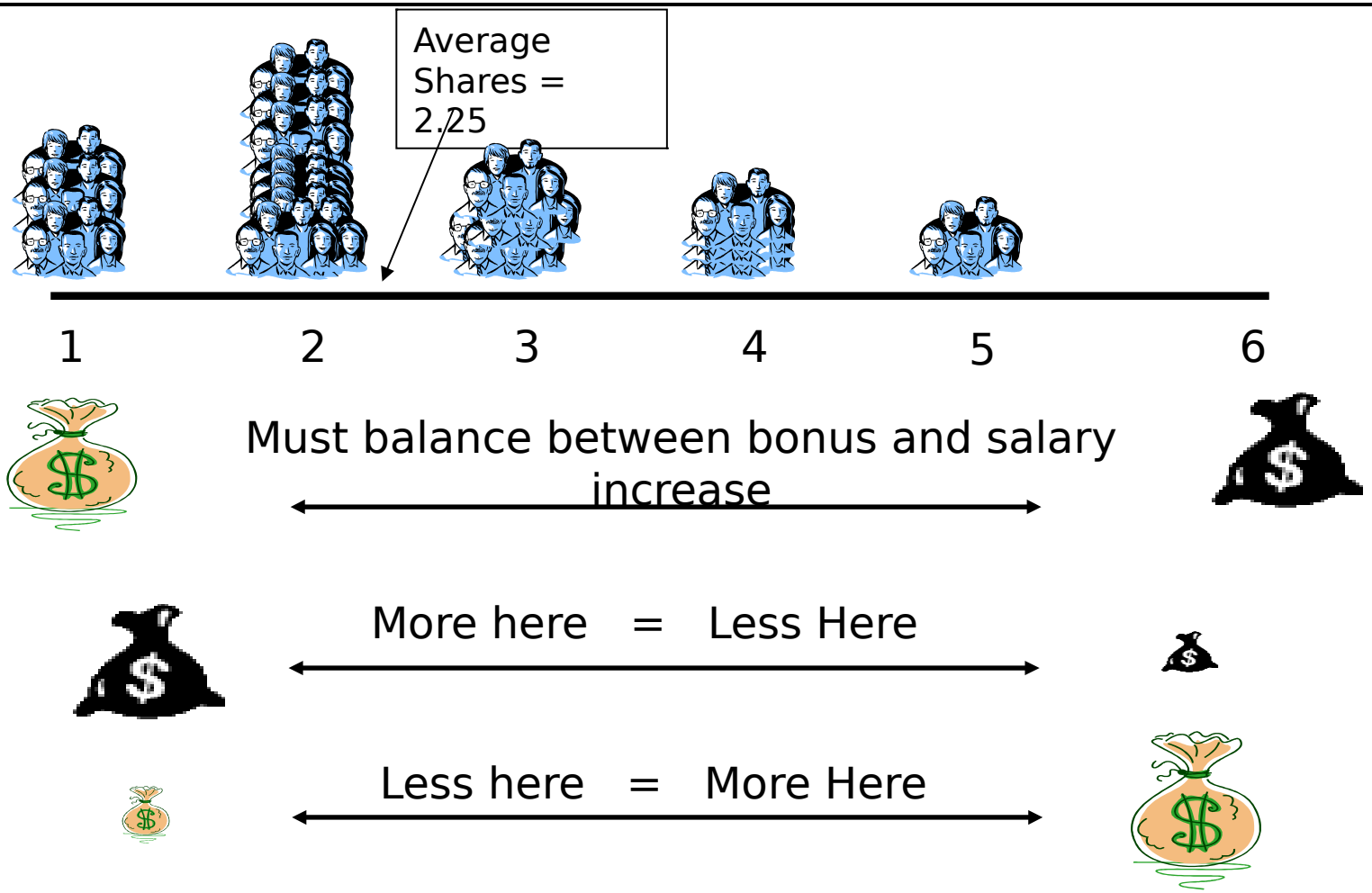
Shares	Percent Salary	Percent Bonus
6	90%	10%
5	80%	20%
4	60%	40%
3	50%	50%
2	30%	70%
1	20%	80%

Merit Matrix Option

- Salary increase percentage is based on
  - Employee location within the pay band or market range (shown by quartiles)
  - Number of shares
- Is this a good option? Is this a good distribution?
- **Can you afford it?**

Shares	Q1	Q2	Q3	Q4
6	10%	8%	6%	4%
5	8%	6%	4%	2%
4	6%	5%	4%	3%
3	5%	4%	3%	2%
2	4%	3%	2%	1%
1	3%	2%	1%	0%

The Balancing Act



Special Situations

- Some situations raise questions about eligibility for rating, payout, and/or inclusion of salary in pay pool
  - Less than 90 days under NSPS
  - Movement between pay pools 90 days before end of cycle
  - Movement between pay pools after cycle ends and before payout
  - Temporary Promotions or Reassignments
  - Leave Without Pay
  - Leave Without Pay – Uniformed Service
  - Leave Without Pay – OWCP
  - Union Officials

Special Cases (separate handout)

Intern Decisions

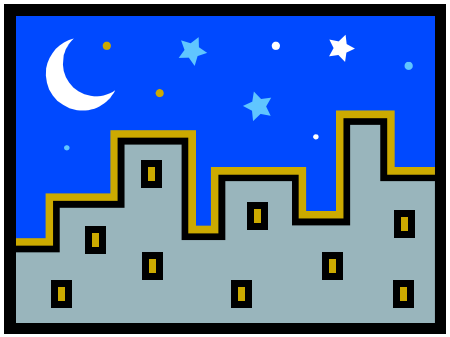
- Interns or recently-graduated interns eligible for ACDP
  - May not want to give additional salary increase for interns who received a 20% increase during the cycle
    - Give 100% bonus
  - For recent graduates, which position is used in determining the payout distribution?

Payout Changes

- Data elements can change which affect payout
  - LWOP, part time or intermittent status, deployment to active duty
- Retroactive personnel actions that cross rating cycle end date cause problems
  - Salary-affecting actions processed after Sep 30 with effective dates before Sep 30 require modifications to calculations
- Need to develop ways to track:
  - ACDP promotions during the cycle
  - Potential separations before payout date
  - Specially-situated employees (LWOP, part time, intermittent, etc)

Employee Movement Decisions

- "Dark Period" – between the end of the rating cycle and the payout effective date
  - 30 Sep 2007 to 6 Jan 2008
- Employees separating or transferring out before payout
  - Do not receive payout



- Movement between pay pools
  - Rating comes from losing pool, payout calculation from gaining pool
  - Within the same PRA, option exists to calculate the payout in losing or gaining pool

Analysis of Pay Pool Results Examples

- ✓ Rating distributions, org-wide and by pay pool
- ✓ Share distributions, org-wide and by pay pool
- ✓ Rating distributions between like pools
- ✓ Average ratings and average number of shares
- ✓ Level 5 ratings (by name)
- ✓ Share value by share, org-wide and by pay pool
- ✓ Average, high and low payouts by share level and by pay pool
- ✓ High and low salary increase percentages
- ✓ Ratings by gender and RNO

Exercise: Publication of Results

1. Read part 7, Army Guide to Developing Pay Pool Business Rules
2. Address the following:
   - What statistical information do you want?
   - What will employees want to know?
   - What data should be published?

Time: 30 minutes

Handouts (page 73)

Looking Ahead…

Pay Pool Managers need to:

- Review last year's process and results
- Assess overall composition of pay pool
  - Consider workforce and rating official changes
  - Review and revise pay pool structure as necessa
- Publish mission and goal statements
  - Consider changes in mission
- Publish pay band salary data
- Establish and publish the pay pool calendar
- Assess relevant external changes
- Identify competencies for pay pool participants and determine any training needs

Evaluations

- A course evaluation is in the handouts
- Evaluation provides feedback on course effectiveness

Thank you for participating!